

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	482248
<015>	Study Area Name	NORTHERN TEL COOP
<020>	Program Year	2015
<030>	Contact Name: Person USAC should contact with questions about this data	Michael Sheard
<035>	Contact Telephone Number: Number of the person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	msheard@northerntel.net

ANNUAL REPORTING FOR ALL CARRIERS		54.313 Completion Required	54.422 Completion Required
		(check box when complete)	
<100>	Service Quality Improvement Reporting (complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<200>	Outage Reporting (voice) (complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210>	<input checked="" type="checkbox"/> <-- check box if no outages to report	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<300>	Unfulfilled Service Requests (voice) 0	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<310>	Detail on Attempts (voice) (attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<320>	Unfulfilled Service Requests (broadband) 0	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<330>	Detail on Attempts (broadband) (attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<400>	Number of Complaints per 1,000 customers (voice)		
<410>	Fixed 0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<420>	Mobile	<input type="checkbox"/>	<input type="checkbox"/>
<430>	Number of Complaints per 1,000 customers (broadband)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<440>	Fixed 0.0	<input type="checkbox"/>	<input type="checkbox"/>
<450>	Mobile 0.0	<input type="checkbox"/>	<input type="checkbox"/>
<500>	Service Quality Standards & Consumer Protection Rules Compliance (check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510>	482248mt510.pdf (attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600>	Functionality in Emergency Situations (check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610>	482248mt610.pdf (attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700>	Company Price Offerings (voice) (complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<710>	Company Price Offerings (broadband) (complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<800>	Operating Companies and Affiliates (complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900>	Tribal Land Offerings (Y/N)? (if yes, complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1000>	Voice Services Rate Comparability (check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1010>	482248mt1010.pdf (attach descriptive document)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1100>	Terrestrial Backhaul (Y/N)? (if not, check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1110>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<1200>	Terms and Condition for Lifeline Customers (complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet			
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers			
<2000>	(check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>
<2005>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet			
<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**(100) Service Quality Improvement Reporting
Data Collection Form**

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<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net
<110>	Has your company received its ETC certification from the FCC?	(yes / no) <input type="radio"/> <input checked="" type="radio"/>
<111>	If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	(yes / no) <input type="radio"/> <input type="radio"/>

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

- <112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

482248mt112.pdf

Name of Attached Document

Please check these boxes below to confirm that the attached document(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

- <113> Maps detailing progress towards meeting plan targets
- <114> Report how much universal service (USF) support was received
- <115> How (USF) was used to improve service quality
- <116> How (USF) was used to improve service coverage
- <117> How (USF) was used to improve service capacity
- <118> Provide an explanation of network improvement targets not met in the prior calendar year.

Data Collection Form

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

July 2013

<015>	Study Area Name	NORTHERN TEL COOP
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<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
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<039>	Contact Email Address - Email Address of person identified in data line <030>	maheard@northerntel.net
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[illegible]

FCC Form 481
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<701>	Residential Local Service Charge Effective Date	1/1/2014
<702>	Single State-wide Residential Local Service Charge	

[illegible]

(710) Broadband Price Offerings
Data Collection Form

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<010>	Study Area Code	482248
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<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	mshareard@northern.tel.net

[illegible]

(800) Operating Companies Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	482248
<015>	Study Area Name	NORTHERN TEL COOP
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net
<810>	Reporting Carrier	Northern Telephone Cooperative, Inc.
<811>	Holding Company	
<812>	Operating Company	Northern Telephone Cooperative, Inc.

[illegible]

**(900) Tribal Lands Reporting
Data Collection Form**

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 OMB Control No. 3060-0986/OMB Control No. 3060-0819
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<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

<910> Tribal Land(s) on which ETC Serves

 Blackfeet Reservation

<920> Tribal Government Engagement Obligation

 482248mt920.pdf

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached document(s), on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- | Select
(Yes, No,
NA) |
|----------------------------|
| Yes |
| Yes |
| Yes |
| Yes |
| Yes |
| Yes |
| Yes |
| Yes |
| Yes |
- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
 <922> Feasibility and sustainability planning;
 <923> Marketing services in a culturally sensitive manner;
 <924> Compliance with Rights of way processes
 <925> Compliance with Land Use permitting requirements
 <926> Compliance with Facilities Siting rules
 <927> Compliance with Environmental Review processes
 <928> Compliance with Cultural Preservation review processes
 <929> Compliance with Tribal Business and Licensing requirements.

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**

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<010>	Study Area Code	482246
<015>	Study Area Name	NORTHERN TEL COOP
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

<1120> Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G) ☐

<1130> Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G) ☐

(1200) Terms and Condition for Lifeline Customers
Lifeline
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<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

482248mt1210.pdf

Name of Attached Document

<1220> Link to Public Website

HTTP <http://www.northerntel.net/services/localphone.html>

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- | | | |
|--------|---|-------------------------------------|
| <1221> | Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, | <input checked="" type="checkbox"/> |
| <1222> | Details on the number of minutes provided as part of the plan, | <input checked="" type="checkbox"/> |
| <1223> | Additional charges for toll calls, and rates for each such plan. | <input checked="" type="checkbox"/> |

(2000) Price Cap Carrier Additional Documentation**Data Collection Form***Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

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<030>	Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035>	Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northernintel.net

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

<2010> 2nd Year Certification {47 CFR § 54.313(b)(1)} ☐

<2011> 3rd Year Certification {47 CFR § 54.313(b)(2)} ☐

Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}

<2012> 2013 Frozen Support Certification ☐

<2013> 2014 Frozen Support Certification ☐

<2014> 2015 Frozen Support Certification ☐

<2015> 2016 and future Frozen Support Certification ☐

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification Support Used to Build Broadband ☐

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017> 3rd year Broadband Service Certification ☐

<2018> 5th year Broadband Service Certification ☐

<2019> Interim Progress Certification ☐

<2020> Please check the box to confirm that the attached document(s), on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year. ☐

<2021> Interim Progress Community Anchor Institutions

Name of Attached Document Listing Required Information

(3000) Rate Of Return Carrier Additional Documentation

Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010> Study Area Code 482248
 <015> Study Area Name NORTHERN TEL COOP
 <020> Program Year 2015
 <030> Contact Name - Person USAC should contact regarding this data Michael Sheard
 <035> Contact Telephone Number - Number of person identified in data line <030> 4069379661 ext.
 <039> Contact Email Address - Email Address of person identified in data line <030> msheard@northernintel.net

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

- (3010) Progress Report on 5 Year Plan
Milestone Certification [47 CFR § 54.313(f)(1)(i)]

Name of Attached Document Listing Required Information

- (3011) Please check this box to confirm that the attached document(s), on line 3012 contains the required information pursuant to § 54.313 (f)(1)(ii), the carrier shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year. ☐

- (3012) Community Anchor Institutions [47 CFR § 54.313(f)(1)(ii)]

Name of Attached Document Listing Required Information

- (3013) Is your company a Privately Held ROR Carrier [47 CFR § 54.313(f)(2)]
(3014) If yes, does your company file the RUS annual report.

(Yes/No) ☒ ☒
(Yes/No) ☒ ☒

Please check these boxes to confirm that the attached document(s), on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:

- (3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers) ☐
(3016) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows ☐

- (3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation

Name of Attached Document Listing Required Information

- (3018) If the response is no on line 3014, Is your company audited?

(Yes/No) ☒ ☐

If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains

- (3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications ☒
(3020) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows ☒
(3021) Management letter issued by the independent certified public accountant that performed the company's financial audit. ☒

If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:

- (3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers, ☐
(3023) Underlying information subjected to a review by an independent certified public accountant ☐
(3024) Underlying information subjected to an officer certification, ☐
(3025) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows ☐

482248mt3026.pdf

- (3026) Attach the worksheet listing required information

Name of Attached Document Listing Required Information

**Certification - Reporting Carrier
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
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<010> Study Area Code	482248
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<030> Contact Name - Person USAC should contact regarding this data	Michael Sheard
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<039> Contact Email Address - Email Address of person identified in data line <030>	mheard@northerntel.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: NORTHERN TEL COOP	
Signature of Authorized Officer: CERTIFIED ONLINE	Date
Printed name of Authorized Officer: Mike Sheard	
Title or position of Authorized Officer: General Manager	
Telephone number of Authorized Officer: 4069379661 ext.	
Study Area Code of Reporting Carrier: 482248	Filing Due Date for this form: 07/01/2014
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	482248
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<030> Contact Name - Person USAC should contact regarding this data	Michael Sheard
<035> Contact Telephone Number - Number of person identified in data line <030>	4069379661 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Printed name of Authorized Agent or Employee of Agent: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

FIVE-YEAR SERVICE QUALITY IMPROVEMENT PLAN

Introduction and Background

The purposes of this document are to provide some background and historical context related to the operations of Northern Telephone Cooperative, Inc. (Northern), and to describe Northern's Five-Year Service Quality Improvement Plan for the period 2015 through 2019.

For more than 60 years, Northern has brought vital telecommunications services to homes and businesses throughout an area comprised of more than 3,100 square miles of north central Montana. Northern's service area stretches along a rugged, sparsely populated segment of the US/Canadian border and includes the northeastern-most portion of the Blackfeet Reservation. The portion of the reservation served by Northern is made up of farming and range land, much of which contains no inhabitants.

In fact, there are only a few small communities in the entirety of Northern's service area, the largest of which is the town of Sunburst with just over 300 residents. The remainder of Northern's customers are scattered almost uniformly across the vast expanses of its service area.

Despite being faced with the well-known challenges of great distances, low customer densities and rugged terrain, Northern is committed to continuing to provide high-quality voice services and access to the rapidly evolving list of broadband services its customers need and deserve.

Description of Northern's Network

Northern has a single wire center and six exchanges. Each of the six exchanges is further divided into "customer serving areas," which generally include a fiber "hub site" and local loops connecting each customer in that serving area to the hub site. There are nearly 50 customer serving areas throughout Northern's service area.

The locations of the customer serving area hub sites were engineered to minimize local loop lengths as much as possible. A fiber "backbone" network connects nearly all customer serving area hub sites to Northern's soft switch which is located in Northern's Sunburst Central Office. For many years, all of Northern's customers have had access to copper-based DSL and the ability to access the Internet at speeds of at least 1 mb, and in many cases, up to, and even exceeding 4 mbps. However, bandwidth demands are rapidly increasing to levels that may eventually exhaust DSL's technological capacity.

A few years ago, in light of growing bandwidth demands, the limitations of copper technologies, and potential problems associated with some of its aging copper plant, Northern began work to replace its copper loops with high-capacity fiber optic loops. This technology is known as "fiber-to-the-home" or FTTH. FTTH will enable Northern, over the next 8 to 10 years, to provide a very large, and scalable, broadband "pipe" to each home and business it serves. The project also involves the installation of new electronics across Northern's network and new equipment at each customer location.

Northern has already extended FTTH to just over 30% of the customer locations in its service area and plans to continue to aggressively work towards finishing the project as quickly as possible. The cooperative hopes to fund its Service Quality Improvement Plan without borrowing any money. Northern is debt-free and, in light of growing regulatory uncertainty, intends to remain that way.

Northern's Five-year Service Quality Improvement Plan

Each year over the next five years, Northern anticipates deploying approximately seventy to seventy-five miles of new fiber optic cable and associated electronics throughout its network. This will provide improved voice and broadband capabilities to approximately fifty to eighty customer locations each year.

The actual construction routes will be determined each year using variables such as:

- New service requests;
- Problem copper plant and/or plant with bandwidth capacity constraints;
- Long loops (rural) and/or the presence of digital carrier systems; and,
- Shorter loops (towns).

The copper loops in the few small communities that Northern serves are generally shorter and thus capable of handling greater bandwidth capacities than those in the rest of Northern's service area. Therefore, over the next five years Northern's Service Quality Improvement Plan will be focused on the more rural portions of its service area where copper loops are the longest.

As explained above, Northern does not intend to finance its Service Quality Improvement Plan with debt. Instead, Northern will fund the Plan using cash generated from its operations as well as the entirety of its annual universal service support. It is anticipated that over the next five years, Northern's budget for its Service Quality Improvement Plan will range from \$1.4 million to \$1.8 million each year.

Northern will provide progress reports on this Plan in subsequent years. These reports will:

- Include maps explaining the cooperative's progress toward meeting the its deployment targets;
- Quantify the amount of universal service support received broken out separately by the amount spent on capital expenses and the amount spent on operating expenses.
- Include an explanation of how the support was used to improve service quality, coverage, and capacity; and
- Include an explanation regarding any network improvement targets that were not fulfilled in the prior year.

Conclusion

The purposes of this document are to provide general information about Northern Telephone Cooperative, Inc., to describe its service area and the topology of its network infrastructure, and to provide details of Northern's five-year build-out plan.

Over the next five years, Northern will continue, to work towards the total transformation of its copper-loop intensive network to a more future-proof, bandwidth-friendly, fiber optic network. It is Northern's intention to, over the next 8 to ten years, extend fiber connections to each customer location in Northern's service area.

It should be noted that Northern's plan is contingent on the continuation of sufficient funding. Furthermore, the information provided in this plan is limited to what is known today. The plan is subject to, and conditioned upon events not yet known – such as future FCC Orders, the imposition of new governmental rules and requirements, or other unforeseen procedural delays such as those sometimes encountered during the planning and implementation of infrastructure projects on the Blackfeet Reservation.

(700) Price Offerings including Voice Rate Data Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

<701>	Residential Local Service Charge Effective Date	1/1/2014
<702>	Single State-wide Residential Local Service Charge	

<703>

[illegible]

<p>(710) Broadband Price Offerings</p> <p>Data Collection Form</p>	<p>FCC Form 481</p> <p>OMB Control No. 3060-0986/OMB Control No. 3060-0819</p> <p>July 2013</p>
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<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net
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[illegible]

<p>(800) Operating Companies</p> <p>Data Collection Form</p>	<p>FCC Form 481</p> <p>OMB Control No. 3060-0986/OMB Control No. 3060-0819</p> <p>July 2013</p>
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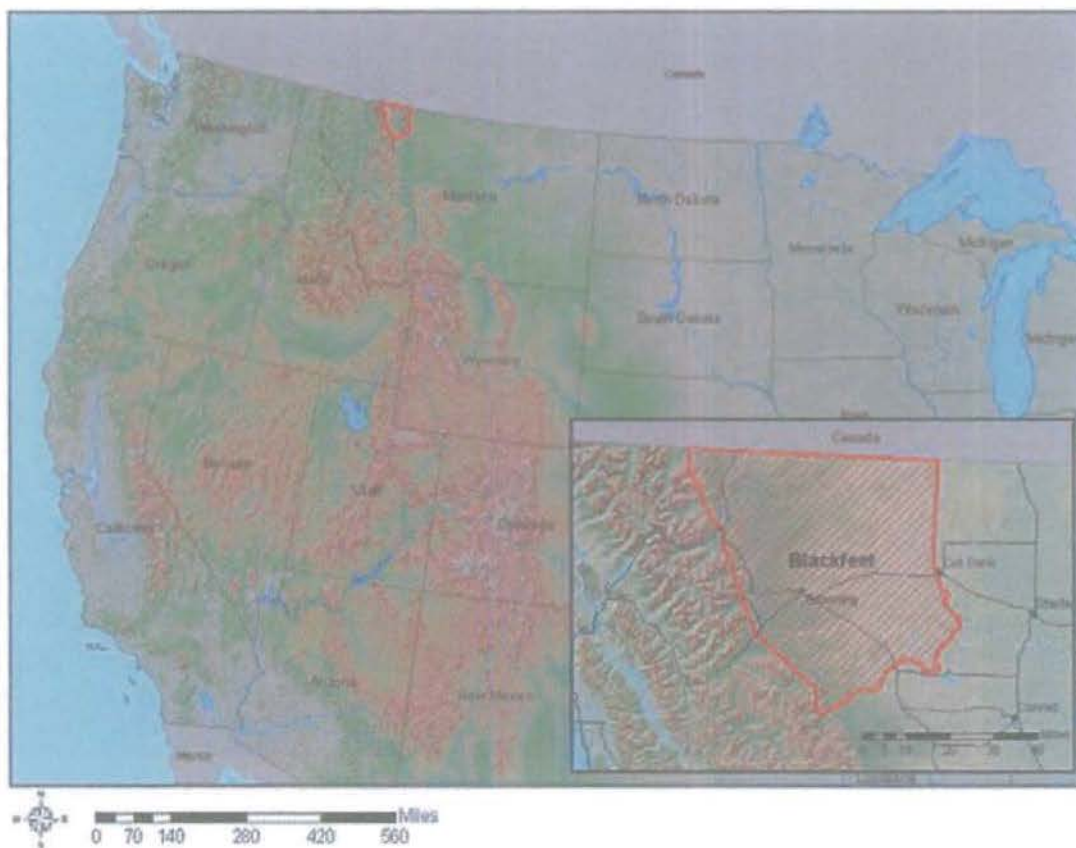
July 2013

[illegible]

Response to Line 920
Northern Telephone Cooperative, Inc.
Study Area 482248

The purpose of this report is to provide documentation demonstrating the many ways in which Northern Telephone Cooperative, Inc. (Northern) has worked to develop an effective exchange of information with the Blackfeet Tribe with the common goal of maintaining the deployment and improvement of communications services across the portion of the Blackfeet Reservation that is in Northern's service area.

The following map shows the location of the Blackfeet Reservation.



Northern serves approximately eleven hundred (1,100) customers, all of which have access to broadband over either fiber or DSL today. Northern's customers are scattered across thirty-one hundred (3,100) square miles in north central Montana along the US/Canadian border.

Northern's service area includes the northeastern-most portion of the Blackfeet Reservation. The portion of the Blackfeet Reservation that is in Northern's service area is comprised of very sparsely populated farming and range lands, much of which contain no inhabitants.

While the entire Blackfeet Reservation encompasses approximately two thousand three hundred forty-four (2,344) square miles, the portion of the reservation that is inside Northern's service area is approximately seven hundred fifty-seven (757) square miles. Please refer to the map attached to this narrative.

Of the reservation's total population of approximately 10,000 people, less than three hundred (300) are located in Northern's service area. **There are no towns or tribal anchor institutions in the portion of the reservation served by Northern.**

For many years, all of Northern's customers, including those on the Blackfeet Reservation, have had access to copper-based DSL and the ability to access the Internet at speeds of at least 1 mbps, and in many cases, up to, and even exceeding 4 mbps. However, bandwidth demands are rapidly increasing to levels that may eventually exhaust DSL's technological capacity.

A few years ago, in light of growing bandwidth demands, the limitations of copper technologies, and potential problems associated with some of its aging copper plant, Northern began work to replace its copper loops with high-capacity fiber optic loops. This technology is known as "fiber-to-the-home" or FTTH. FTTH will enable Northern to provide a very large, and scalable, broadband "pipe" to each home and business it serves. The project also involves the installation of new electronics across Northern's network and new equipment at each customer location.

Northern has served customers on the Blackfeet Reservation for decades and some of Northern's first FTTH customers were located on the reservation. In spite of limited, and increasingly uncertain financial resources, and the short construction season in northern Montana, Northern's FTTH project is still expected to be completed within the next 10 years or so, both on the reservation and off.

Northern has always endeavored to maintain, and will continue to maintain a tradition of meaningful engagement with the Blackfeet Tribal government. We have worked closely with the Blackfeet Tribal Business Council and share the understanding of the need to deploy infrastructure that can meet customer needs not only now, but into the future as well. The Tribal Business Council unanimously passed a resolution in support of Northern's telecommunications infrastructure projects on the reservation (please see the attached resolution).

Northern is aware of and sensitive to the unique challenges of providing service across tribal lands. Accordingly we employ the services of a company called Compton Signatures (see: <http://www.comptonsignatures.com/>). Compton Signatures (Compton), which is owned by Patricia Compton, a member of the Blackfeet Tribe, is a "Certified Indian Business" that is located in Browning, Montana, in the heart of the Blackfeet Indian Reservation.

Compton has a professional staff with extensive knowledge and experience in tribal land trust and related issues. They use their knowledge and experience to help bridge any cultural differences with a blend of integrity and communication. They serve as a valuable liaison to the Blackfeet Tribe creating a cohesive bond to assist Northern in determining the criteria needed to complete its projects consistent with Blackfeet culture and in compliance with Blackfeet Tribal regulations.

Some of the many ways Compton Signatures assists Northern Telephone include: helping to ensure compliance with Tribal rights-of-way processes; land use permitting; facilities siting; environmental and cultural review processes; and, Tribal business and licensing requirements. Northern maintains a business license with the Blackfeet Tribe (a copy of Northern's 2015 license is attached) and complies with the Blackfeet Tribal Employment Rights Office (TERO) requirements.

Northern's goal is to serve all of its customers, both on and off the reservation with state-of-the-art FTTH technology. Northern recognizes the cultural sensitivities and other unique aspects associated with building and maintaining telecommunications infrastructure and providing services on Tribal lands. Northern will endeavor to continue to develop and maintain an effective exchange of information with the Blackfeet Tribal government and with the Blackfeet people in general.

Nov 5 1996

BLACKFEET NATION

P.O. BOX 850
BROWNING, MONTANA 59417

(406) 338-7179

FAX 338-7530

EXECUTIVE COMMITTEE

EARL OLD PERSON, CHAIRMAN
BERNARD ST. GODDARD, VICE-CHAIRMAN
ROLAND KENNERLY, SECRETARY
ELAINE GUARDIPEE, TREASURER

BLACKFEET TRIBAL BUSINESS COUNCIL

EARL OLD PERSON
BERNARD ST. GODDARD
ROLAND KENNERLY
MARLENE BEAR-WALTER
TED WILLIAMSON
ARCHIE ST. GODDARD
JIMMY ST. GODDARD
GABE GRANT
CARL KIPP

RESOLUTION

NUMBER: 30-97

- WHEREAS, The Blackfeet Tribal Business Council is the duly constituted governing body within the exterior boundaries of the Blackfeet Indian Reservation; and
- WHEREAS, The Blackfeet Tribal Business Council has been organized to represent, develop, protect and advance the views, interests, education and resources of the members of the Blackfeet Indian Reservation; and
- WHEREAS, Pursuant to Article VI, Powers of the Council, Section 1(c), of the Blackfeet Constitution and By Laws of the Blackfeet Tribe the Blackfeet Tribal Business Council is vested with the power to prevent the sale, disposition, lease or encumbrance of tribal lands, interests in lands or other tribal assets, without the consent of the tribe; and
- WHEREAS, Pursuant to Article VII, Land, Section 1, of the Blackfeet Constitution and By Laws of the Blackfeet Tribe the Blackfeet Tribal Business Council is vested with the power to recognize under existing laws such lands may be condemned for public purposes, such as roads, public buildings, or other public improvements, upon payment of adequate compensation, by any agency of the State of Montana or of the Federal Government, or by the tribe itself; and
- WHEREAS, Pursuant to 5. Corporate Powers, of the Corporate Charter of the Blackfeet Tribe of the Blackfeet Indian Reservation Montana, (j) To exercise such further incidental powers, not inconsistent with law, as may be necessary to the conduct of corporate business; and
- WHEREAS, Northern Telephone Cooperative, Inc., is requesting to extend its telephone service lines to individuals residing on the Blackfeet Reservation, so as to provide telephone service to consumers requesting this service; and

BLACKFEET TRIBAL RESOLUTION NUMBER: 30-97

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WHEREAS, The Blackfeet Tribal Business Council has been organized to improve the living standard of the people of the Blackfeet Indian Reservation; and

WHEREAS, Northern Telephone Cooperative is requesting this Comprehensive service line permit to build, construct and maintain telephone service line systems over, across and upon Blackfeet Tribal land so as to provide telephone service to inhabitants thereof, with payment waived; and

THEREFORE BE IT RESOLVED, That permission is hereby granted to Northern Telephone Cooperative, Inc., to survey, place, construct, operate, maintain, repair, relocate or replace a telephone service line system including all structures necessary or advisable for the construction, operation and maintenance of said lines over and across Tribal lands, with payment waived; and

BE IT FURTHER RESOLVED, That the Superintendent of the Bureau Of Indian Affairs at the Blackfeet Agency is hereby instructed to approve this comprehensive telephone service line permit granted to Northern Telephone Cooperative, Inc., of Sunburst, Montana on land owned by the Blackfeet Tribe, subject of application and approval of the Bureau of Indian Affairs under the terms and provisions of the Act of February 5, 1948 (62 Stat. 17-18), and Departmental Regulations 25 CFR 169; and

BE IT FURTHER RESOLVED, That the Superintendent for the Bureau of Indian Affairs, Blackfeet Agency, is instructed to execute such documents as may be necessary to complete the granting of this comprehensive telephone service line to Northern Telephone Cooperative, Inc.; and

BE IT FINALLY RESOLVED, That the Chairman and the Secretary of the Blackfeet Tribal Business Council, acting in behalf of the Blackfeet Tribe, are hereby authorized and instructed to sign such documents as may be necessary to finalize said grant of a comprehensive telephone service line permit to Northern Telephone Cooperative, Inc.

BLACKFEET TRIBAL RESOLUTION NUMBER: 30-97

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ATTEST:

THE BLACKFEET TRIBE OF THE
BLACKFEET INDIAN RESERVATION



ROLAND KENNERLY, Secretary


EARL OLD PERSON, Chairman

CERTIFICATION

I hereby certify that the foregoing Resolution was adopted by the Land Committee of the Blackfeet Tribe during a meeting held on 03-19-96 and approved by the Blackfeet Tribal Business Council during a SPECIAL Session assembled for Business on JUNE 12, 1996 with SEVEN (7) Members present to constitute a quorum and by a vote of SEVEN (7) Members For and ZERO (0) Members Opposed.

(CORPORATE SEAL)


ROLAND KENNERLY, SECRETARY
BLACKFEET TRIBAL BUSINESS
COUNCIL

THE BLACKFEET TRIBE

CERTIFIES THAT

Northern Telephone Cooperative Inc.

BUSINESS LICENSE #:

181

Steen Alme

P.O. Box 190

Sunburst, MT. 59482

Having made application for a business activity and adhered to all laws and procedures required by the Blackfeet Tribe, said business is hereby authorized to conduct or operate a business activity within the boundaries of the Blackfeet Indian Reservation.

This permit must be displayed in full view of public while conducting or operating a business activity.

Type of Activity:

Telephone Cooperative



This Permit Expires On:

September 30, 2014

DESCRIPTION OF VOICE SERVICES RATE COMPARABILITY

In the *USF/ICC Transformation Order*, the Commission determined that ETCs must offer voice telephony service at rates that are reasonably comparable to urban rates and it adopted a presumption that a voice rate is within a reasonable range if it falls within two standard deviations above the national average.¹ The Commission directed the Wireline Competition Bureau and the Wireless Telecommunications bureau to conduct a survey of residential urban rates.

The rate survey was conducted as directed, and on March 20, 2014, Public Notice DA 14-384 was released announcing the survey results. According to information in the Public Notice, the survey results indicated that the average urban rate for local service is \$20.46. The Public Notice also stated that two standard deviations above the \$20.46 rate is \$46.96.

Northern Telephone Cooperative, Inc.'s local end user rate (voice rate) on January 1, 2014 was \$14/month. That rate was increased on July 1, 2014 to \$16/month. Therefore, Northern Telephone's voice rate is no more than two standard deviations above the applicable national average urban rate for voice service, as published by the Wireline Competition Bureau.

¹ USF/ICC Transformation Order, 26 FCC Rcd at 17751, para. 84.

Response to Line 1210
Northern Telephone Cooperative, Inc.
Study Area 482248

TERMS AND CONDITIONS FOR LIFELINE PROGRAM CONSUMERS

Northern Telephone's subscribers on a limited income may be eligible to participate in Lifeline. Subscribers must prove their eligibility to enroll and the program is limited to one benefit per household. Northern Telephone's Lifeline participants receive a discount on the price of Northern's flat-rated (unlimited) local Residential service. These discounts are currently set at \$9.25 per month.

Toll calls made by Lifeline participants are priced at the standard rates offered by the various toll carriers. For example, customers that use Northern Telephone as their toll carrier are charged \$.10/minute for interstate and intrastate toll calls. Lifeline customers may subscribe to Northern's optional Toll Denial service at no monthly cost.

To qualify for Lifeline, subscribers must either have an income that is at or below 135% of the Federal Poverty Guidelines, or participate in any of the following programs:

- *Supplemental Nutrition Assistance Program (SNAP)
- *Medicaid
- *Temporary Assistance for Needy Families (TANF)
- *National School Lunch Program's free lunch program
- *Federal Public Housing Assistance or Section 8
- *Low-income Home Energy Assistance Program (LIHEAP)
- *Supplemental Security Income (SSI)

Additional benefits, including Tribal Lands Lifeline and Tribal Lands Link Up may be available to qualifying subscribers that reside on the portion of the Blackfeet Reservation that is served by Northern Telephone. Qualification is based on income or participation in one of the following:

- *Head Start (only if eligible through income)
- *Bureau of Indian Affairs (BIA) General Assistance
- *Tribally administered Temporary Assistance for Needy Families (TANF)
- *Food Distribution Program on Indian Reservations (FDPIR)

Tribal Lifeline provides a monthly discount of up to \$34.25 off of the cost of Northern's local Residential service. This discount includes the standard \$9.25 Lifeline benefit plus up to an additional \$25.

Tribal Lands Link-Up enables eligible new customers to receive a discount of up to \$100 off the customary charges for commencing phone service with Northern Telephone.

Northern Telephone's Low Income outreach includes: mailers (at least once per year); posters placed in strategic public places; newspaper notices and Northern's web site.



Report of Independent Auditors and
Consolidated Financial Statements
With Supplementary Information for

**Northern Telephone
Cooperative, Inc.**

December 31, 2013 and 2012

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Northern Telephone Cooperative, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Northern Telephone Cooperative, Inc. and subsidiary, which comprise of the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

REPORT OF INDEPENDENT AUDITORS (continued)

Auditor's Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northern Telephone Cooperative, Inc. and subsidiary as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Spokane, Washington
February 3, 2014

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31,	
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 592,798	\$ 562,154
Investment in certificates of deposit	100,000	194,000
Telecommunications accounts receivable	156,292	148,046
Settlements and access accounts receivable	198,236	299,665
Other accounts receivable	2,307	11,970
Income tax refund receivable	2,403	18,711
Notes receivable, current portion	11,869	11,257
Material and supplies	524,753	672,371
Other current assets	18,908	14,094
Total current assets	1,607,566	1,932,268
NONCURRENT ASSETS		
Investment in affiliates	909,801	824,360
Investment in nonaffiliates	664,165	661,222
Notes receivable, long-term portion	86,158	98,027
Investment in certificates of deposit	688,000	594,000
	2,348,124	2,177,609
PROPERTY, PLANT, AND EQUIPMENT		
Regulated telecommunications plant in service	27,849,180	25,728,218
Regulated telecommunications plant under construction	928,193	1,156,700
Nonregulated telecommunications plant in service	667,181	667,181
	29,444,554	27,552,099
Less accumulated depreciation	20,022,725	19,204,614
	9,421,829	8,347,485
	<u>\$ 13,377,519</u>	<u>\$ 12,457,362</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND MEMBERS' EQUITY

	December 31,	
	2013	2012
CURRENT LIABILITIES		
Accounts payable	\$ 45,579	\$ 55,473
Advance billing	23,760	19,940
Other accrued taxes	86,979	81,520
Other accrued liabilities	<u>145,732</u>	<u>136,905</u>
 Total current liabilities	 <u>302,050</u>	 <u>293,838</u>
 OTHER LIABILITIES AND DEFERRED CREDITS		
Other deferred credits	271,096	257,174
Deferred income taxes	<u>158,142</u>	<u>151,238</u>
	 <u>429,238</u>	 <u>408,412</u>
 MEMBERS' EQUITY		
Memberships and other capital	8,125	8,125
Accumulated other comprehensive income	231,671	251,106
Retained margins	<u>12,406,435</u>	<u>11,495,881</u>
	 <u>12,646,231</u>	 <u>11,755,112</u>
	 <u><u>\$ 13,377,519</u></u>	 <u><u>\$ 12,457,362</u></u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,	
	2013	2012
Operating revenues		
Wireline	\$ 3,319,314	\$ 3,298,255
Internet	444,703	436,276
Fiber lease	205,220	210,070
Miscellaneous	195,293	164,357
	<u>4,164,530</u>	<u>4,108,958</u>
Operating expenses		
Plant specific operations	623,164	623,071
Plant nonspecific operations	174,082	189,161
Depreciation	1,154,961	1,171,365
Customer operations	207,813	242,151
Corporate operations	622,906	685,407
Other operating taxes	134,839	127,663
Nonregulated	488,397	428,861
	<u>3,406,162</u>	<u>3,467,679</u>
Operating margins	<u>758,368</u>	<u>641,279</u>
Nonoperating income (expense)		
Interest and dividend income	315,121	66,291
Other nonoperating expense	(6,703)	(5,922)
Income from affiliate	85,441	18,514
	<u>393,859</u>	<u>78,883</u>
Margins before income taxes	1,152,227	720,162
Income tax expense	<u>(190,628)</u>	<u>(109,239)</u>
Net margins	<u>\$ 961,599</u>	<u>\$ 610,923</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,	
	2013	2012
Net margins	\$ 961,599	\$ 610,923
Other comprehensive income		
Postretirement healthcare benefits		
Net gain (loss) arising during the period	(4,829)	168,560
Amortization included in net periodic benefit cost		
Prior service cost	(1,170)	(1,170)
Net gain (loss)	(13,436)	466
	(14,606)	(704)
Other comprehensive income (loss)	(19,435)	167,856
Comprehensive income	\$ 942,164	\$ 778,779

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

	Memberships and Other Capital	Retained Margins Unallocated	Retained Margins Allocated	Accumulated Other Comprehensive Income	Total Equity
Balance, December 31, 2011	\$ 8,125	\$ 5,898,207	\$ 5,202,572	\$ 83,250	\$ 11,192,154
2012 net margins	-	610,923	-	-	610,923
Excise tax patronage capital	-	-	3,294	-	3,294
Patronage capital retired	-	4,822	(223,937)	-	(219,115)
Allocate 2011 patronage	-	(761,908)	761,908	-	-
Other comprehensive income	-	-	-	167,856	167,856
Balance, December 31, 2012	8,125	5,752,044	5,743,837	251,106	11,755,112
2013 net margins	-	961,599	-	-	961,599
Excise tax patronage capital	-	-	1,793	-	1,793
Patronage capital retired	-	-	(52,838)	-	(52,838)
Allocate 2012 patronage	-	(436,330)	436,330	-	-
Other comprehensive income	-	-	-	(19,435)	(19,435)
Balance, December 31, 2013	<u>\$ 8,125</u>	<u>\$ 6,277,313</u>	<u>\$ 6,129,122</u>	<u>\$ 231,671</u>	<u>\$ 12,646,231</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	\$ 961,599	\$ 610,923
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation	1,154,961	1,171,365
Income from affiliate	(85,441)	(18,514)
Noncash patronage allocations	(4,540)	(3,658)
Deferred income taxes	6,904	8,405
Changes in assets and liabilities		
Receivables	102,846	(21,290)
Income taxes	16,308	(26,287)
Material and supplies	147,618	(121,988)
Other current assets	(4,814)	(4,130)
Accounts payable and accrued expenses	4,392	(19,657)
Advance billings and customer deposits	3,820	1,642
Other liabilities	(5,513)	61,799
Net cash from operating activities	<u>2,298,140</u>	<u>1,638,610</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant, and equipment	(2,230,490)	(1,917,673)
Acquisition of nonregulated property, plant, and equipment	-	(5,157)
Proceeds from sale of property, plant, and equipment	1,185	(6,420)
Purchase of investments	(194,000)	(295,000)
Payments on loans	11,257	10,677
Proceeds from sale of investments	195,597	296,615
Net cash from investing activities	<u>(2,216,451)</u>	<u>(1,916,958)</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES		
Patronage capital retired	\$ (52,838)	\$ (219,115)
Excise tax refund	1,793	3,294
Net cash from financing activities	(51,045)	(215,821)
NET CHANGE IN CASH AND CASH EQUIVALENTS	30,644	(494,169)
CASH AND CASH EQUIVALENTS at beginning of year	562,154	1,056,323
CASH AND CASH EQUIVALENTS at end of year	<u>\$ 592,798</u>	<u>\$ 562,154</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for		
Income taxes	<u>\$ 167,537</u>	<u>\$ 127,121</u>
NONCASH FINANCING ACTIVITIES		
Postretirement benefit obligation	<u>\$ (19,435)</u>	<u>\$ 167,856</u>

NORTHERN TELEPHONE COOPERATIVE, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Description of entity – Northern Telephone Cooperative, Inc. (Cooperative) and its subsidiary are located in northern Montana and provide telecommunication services to approximately 1,500 subscribers. Telecommunication services include local, long distance, Internet, leased fiber optic lines, and other telecommunication services.

Principles of consolidation – The Cooperative, the parent corporation, owns 100% of Northern Communications, Inc. (Norcom). The subsidiary is included in the accompanying consolidated financial statements. All material intercompany balances and transactions have been eliminated in consolidation.

Accounting policies – The financial statements of the Cooperative have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to regulated public utilities. Such accounting principles are consistent, in all material respects, with accounting prescribed by the Federal Communications Commission (FCC).

Accounting estimates – The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense and interstate access revenue settlements.

Cash and cash equivalents – For purposes of the statements of cash flows, the Cooperative considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents.

Concentration of credit risk – At various times throughout the year, the cash balances deposited in local institutions exceed federally insured limits. A possible loss exists for those amounts in excess of \$250,000. The Cooperative minimizes this risk by utilizing numerous financial institutions for deposits of cash funds.

Investments in certificates of deposit – These investments consist of certificates of deposit purchased at face value with maturities between one and five years. There is no material difference between the cost of these investments and their fair market value.

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Valuation of accounts receivable – Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Cooperative reviews the collectibility of accounts receivable annually based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers are due 30 days after issuance of the subscriber bill. Receivables from other exchange carriers are typically outstanding 30 to 60 days before payment is received. Accounts are considered delinquent after the bills have been outstanding for greater than 90 days. Delinquent accounts are charged to uncollectible expense when it is determined the accounts will not be collected. Due to the immaterial nature of the Cooperative's uncollectible accounts, an allowance for uncollectible accounts is not deemed necessary and the result of this method does not materially differ from accounting principles generally accepted in the United States of America.

Material and supplies – Material and supplies are stated at the lower of average cost (first-in, first-out) method or replacement market.

Investments in affiliates – The Cooperative accounts for its investments in limited liability companies by the equity method of accounting under which the Cooperative's share of the net income of the affiliates is recognized as income in the Cooperative's income statement and added or subtracted to the respective investment accounts. Under the equity method of accounts, dividends or returns of capital reduce the investment balance.

Investment in nonaffiliates – Investments consist primarily of assigned patronage from other cooperatives accounted for on the equity method and nonmarketable stock of telephone industry corporations stated at cost.

Property, plant, and equipment – Property, plant, and equipment are stated at cost. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses.

Property, plant, and equipment is depreciated using straight-line methods over their estimated useful lives. In accordance with composite group depreciation methodology, when a portion of the Cooperative's depreciable property, plant, and equipment is retired in the ordinary course of business, the gross book value is charged to accumulated depreciation.

Income taxes – The Cooperative is taxable for federal and exempt for state income tax purposes. As a taxable cooperative, taxable income consists of margins earned from nonpatronage sources. Margins earned from patronage are not taxable to the extent margins are allocated to patrons in the form of capital credits. Norcom is a taxable entity for federal and state income tax purposes.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Income taxes (continued) – Deferred taxes are provided on a liability method whereby deferred tax liabilities are recognized for taxable temporary differences, and deferred tax assets are recognized for deductible temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets relate primarily to book depreciation in excess of tax. Deferred tax liabilities relate primarily to differences in investment basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not some portion or all of the deferred tax will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Cooperative records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of December 31, 2013 and 2012, the Cooperative had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively. The Cooperative is no longer subject to U.S. federal or state and local tax examinations by tax authorities for years before 2010.

Members' equity – The Cooperative assigns earned patronage margin annually to its patrons based on the bylaws of the Cooperative and related Board policies. Total patronage margins are computed on a tax basis and consist of Cooperative patronage revenues, reduced by related operating and interest expenses. The allocation is made to individual patrons based on the amount of Cooperative services billed to each patron for that year. The assignment to patron accounts is made in the subsequent year. Permanent equity is not assigned to members and consists primarily of nonpatronage margins.

A portion of the total assigned patronage capital is distributed to members as a general retirement each year. The total amount returned is determined by the Board of Directors and the vintage year from which the retirements will be applied. The Cooperative's policy is to retire the earliest unretired year first. All assigned margins prior to 2003 have been retired. Additionally, the Board of Directors approves early retirement requests from the estates of deceased members and defunct businesses. These retirements are not discounted.

Revenue recognition – Monthly service fees derived from local wireline and Internet are billed one month in advance, but recognized in the month that service is provided. Fiber optic line leases are billed in arrears; however, the revenue is recognized in the month the service is provided.

Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls) and long distance are generally billed as a per-minute charge. Although these revenues are billed in arrears, an estimate of unbilled revenues is accrued in the month service is provided.

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue recognition (continued) – Interstate access revenues also include settlements based on the Cooperative's participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Settlement revenues are determined by annually prepared separations and interstate access cost studies. These studies are prepared subsequent to year end, and therefore, the related revenues are recorded on the books based on an estimate of NECA pool earnings and on other assumptions related to information utilized in the preparation of the Cooperative's cost study. The studies are subject to a 24-month pool earnings adjustment period and review of the study by NECA. There was an insignificant revenue impact in 2013 and 2012 for adjustments related to prior year differences between the recorded estimates and actual revenues. Management does not anticipate that 2013 and 2012 recorded revenues will require significant adjustments in future years.

Internet revenues are derived from the provision of customer access to the public Internet, excluding revenues attributable to digital subscriber line (DSL) transport (line costs between the customer and the Cooperative's equipment that routes Internet traffic). Interstate access revenues include settlements from NECA that compensate the Cooperative for the DSL transport related to the provision of Internet services.

The Cooperative's wireline universal service support revenue is intended to compensate the Cooperative for the high cost of providing rural telephone service. Universal service support revenue includes funds received for high cost loop support, interstate common line support, local switching support, Connect America Fund (CAF), and other miscellaneous programs. High cost loop support and interstate common line support are based on the Cooperative's current relative level of operating expense and plant investment. Support from the CAF is based on a historical frozen amount related to 2011 investment and expenses associated with the switching function and certain 2011 intrastate access revenues, which together make up the CAF base. The CAF base will be reduced 5% each year in determining CAF support.

Regulation – The Cooperative's services are subject to rate regulation as follows:

- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA. The FCC has also assumed preemptive authority to regulate intrastate telecommunications services including intrastate access rates.
- Universal Service revenues are administered by Universal Service Administration Company (USAC), based on rules established by the FCC.

Other sources of revenues are not rate regulated, and include local telephone, Internet, long distance, equipment sales, directory, rents, fiber lease, and other incidental services.

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Regulation (continued) – Nonregulated expenses and nonregulated plant are directly attributable to nonregulated services such as Internet, equipment sales, directory, rents, and other incidental services. All other operating expenses and telecommunications plant are related primarily to wireline revenues. However, some of these costs jointly relate to regulated and nonregulated services. For interstate access settlement, universal service support, rate case, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed in accordance with Part 64 of the FCC rules in order to ensure regulated revenues are based on costs of providing regulated services.

The FCC reformed Intercarrier Compensation and Universal Service Funding (USF) mechanisms. The majority of the new rules took effect, subject to various transition provisions, on July 1, 2012, as follows:

- Limitations on the amount of support received per line
- Limitations on capital expenditures and operating expenses recoverable from the USF
- Benchmarks for minimum local rates charged to end users by recipients of support
- The establishment of the Access Recovery Charge (ARC) billed to end users
- The elimination of local switching support
- The establishment of the CAF, a new funding mechanism for investment and expenses related to the switching and transport functions
- The structured reduction of carrier access rates charged by the Cooperative to other carriers using its network to complete long distance calls

Concentration of market risk – In 2013 and 2012, the Cooperative received \$1,451,444 and \$1,348,713, or 35% and 33%, respectively, of its revenue from the Federal USF.

Advertising expenses – The Cooperative expenses advertising costs as incurred. Advertising expenses during the years ended December 31, 2013 and 2012, were \$32,272 and \$28,844, respectively.

Taxes imposed by governmental authorities – The Cooperative's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Cooperative. These specific taxes are charged to and collected from the Cooperative's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Cooperative recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Cooperative's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Subsequent events (continued) – The Cooperative has evaluated subsequent events through February 3, 2014, which is the date the financial statements are available to be issued.

Note 2 – Investments in Affiliates

Investments in affiliated organizations consist of iConnect Montana, LLC (iConnect) and Montana Independent Telecommunications Systems, LLC (MITS). iConnect was formed to build fiber connection hubs throughout the state of Montana. Its primary function is to facilitate collocation between telecommunications providers. MITS is a professional service organization formed to support Montana's rural telecommunications industry.

The carrying value of the equity method investments are accounted for as follows:

	<u>iConnect</u>	<u>MITS</u>	<u>Total</u>
Cash investment from previous years	\$ 700,271	\$ 14,725	\$ 714,996
Prior years' accumulated net income	39,594	51,256	90,850
2012 net income (loss)	<u>30,538</u>	<u>(12,024)</u>	<u>18,514</u>
Investment at December 31, 2012	770,403	53,957	824,360
2013 net income (loss)	<u>99,526</u>	<u>(14,085)</u>	<u>85,441</u>
Investment at December 31, 2013	<u>\$ 869,929</u>	<u>\$ 39,872</u>	<u>\$ 909,801</u>

The assets, liabilities, and operations of the Cooperative's investment in iConnect is as follows:

	<u>2013</u>	<u>2012</u>
Assets	<u>\$ 8,723,517</u>	<u>\$ 8,540,375</u>
Liabilities	<u>\$ 3,559,396</u>	<u>\$ 3,906,731</u>
Equity	<u>\$ 5,164,121</u>	<u>\$ 4,633,644</u>
Operating revenues	\$ 3,231,555	\$ 3,104,040
Operating expenses	<u>2,701,075</u>	<u>2,888,790</u>
Net income	<u>\$ 530,480</u>	<u>\$ 215,250</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 – Investments in Affiliates (continued)

iConnect Montana, LLC has borrowed funds from First Interstate Bank. Conditional to the borrowing, iConnect was required to obtain loan guarantees from its investors. The Cooperative has guaranteed \$135,143 of iConnect's debt.

Note 3 – Investments in Nonaffiliates

Investments in associated organizations are carried at the lesser of cost or fair market value and consist of the following:

	2013	2012
Equity in other cooperatives	\$ 58,609	\$ 55,666
Vision Net, Inc.	601,484	601,484
Other	4,072	4,072
	<u>\$ 664,165</u>	<u>\$ 661,222</u>

Vision Net, Inc. provides advanced voice, data, and video services and is owned by Montana's independent telephone companies allowing them to interconnect a digital fiber network serving urban and rural communities throughout the state. The investment is maintained on the cost method of accounting and has no readily determinable market value. No events or significant changes have been identified that would have an adverse effect on the carrying values.

Note 4 – Notes Receivable

Notes receivable consisted of the following at December 31:

	2013	2012
iConnect Montana, LLC	\$ 98,027	\$ 109,284
Less current portion	11,869	11,257
	<u>\$ 86,158</u>	<u>\$ 98,027</u>

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 – Notes Receivable (continued)

During 2006, Norcom loaned \$40,461 to iConnect for various construction projects to be completed as part of iConnect's general operations. The loan has a stated interest rate of 5% and is being repaid in monthly installments of \$429.

During 2008, Norcom loaned an additional \$120,000 to iConnect for various construction projects to be completed as part of iConnect's general operations. The loan has a stated interest rate of 5.5% and is being repaid in monthly installments of \$980.

Note 5 – Property, Plant, and Equipment

Telecommunications plant balances together with accumulated depreciation balances consist of the following at December 31:

	Depreciable Life	Plant Account	Accumulated Depreciation	2013 Net Balance	2012 Net Balance
Regulated					
General support assets	5 - 35 years	\$ 5,267,072	\$ 3,385,424	\$ 1,881,648	\$ 1,881,369
Central office assets	5 - 25 years	6,854,273	4,436,296	2,417,977	2,477,219
Cable assets	13 years	15,727,836	11,596,951	4,130,885	2,769,071
Plant under construction	n/a	928,192	-	928,192	1,156,700
		<u>28,777,373</u>	<u>19,418,671</u>	<u>9,358,702</u>	<u>8,284,359</u>
Nonregulated					
Cable assets	15 years	289,202	289,202	-	-
Central office assets	5 - 7 years	252,849	252,849	-	-
Other	2 - 10 years	125,130	62,003	63,127	63,126
		<u>667,181</u>	<u>604,054</u>	<u>63,127</u>	<u>63,126</u>
		<u>\$ 29,444,554</u>	<u>\$ 20,022,725</u>	<u>\$ 9,421,829</u>	<u>\$ 8,347,485</u>

Note 6 – Income Taxes

The provision for income taxes differs from the amount computed by applying the current statutory federal income tax rate to earnings before taxes due to the effects of state taxes (net of federal benefit), Cooperative patronage exclusions, nondeductible items, and nontaxable items. Additionally, due to the patronage exclusion, no deferred tax provision is recognized for the defined postretirement benefit plan amounts included in other comprehensive income.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 – Income Taxes (continued)

Components of provision for income tax expense:

	<u>2013</u>	<u>2012</u>
Current		
Federal	\$ (152,933)	\$ (84,038)
State	(30,791)	(16,796)
Deferred		
Federal and state	<u>(6,904)</u>	<u>(8,405)</u>
	<u>\$ (190,628)</u>	<u>\$ (109,239)</u>

This income tax expense is allocated to income as follows:

	<u>2013</u>	<u>2012</u>
Operating	\$ (1,473)	\$ (767)
Nonoperating	(6,243)	(6,548)
Nonregulated	<u>(182,912)</u>	<u>(101,924)</u>
	<u>\$ (190,628)</u>	<u>\$ (109,239)</u>

The components of the net deferred tax asset (liability) recorded in the accompanying consolidated balance sheets at December 31 are:

	<u>2013</u>	<u>2012</u>
Deferred tax assets (liabilities)		
Book investment carrying value greater than tax	\$ (182,417)	\$ (180,724)
Book depreciation greater than tax	<u>24,275</u>	<u>29,486</u>
Net deferred tax liability	<u>\$ (158,142)</u>	<u>\$ (151,238)</u>

NORTHERN TELEPHONE COOPERATIVE, INC. **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Note 7 – Deferred Credits

Deferred credits consist of the following at December 31:

	2013	2012
Postretirement health care plan liability	\$ 262,251	\$ 242,029
Scholarship liability	8,845	15,145
	<u>\$ 271,096</u>	<u>\$ 257,174</u>

Note 8 – Retirement Plans

Defined benefit plans – The Cooperative participates in two multi-employer pension plans (Plans) with the National Telephone Cooperative Association that cover substantially all of its employees and are described below.

The risks of participating in multi-employer plans are different from single employer plans as follows: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer stops contributing to the plan, the unfunded obligations of the Plan may be borne by the remaining participating employers, and (3) if the Cooperative chooses to stop participating in a Plan, the Cooperative may be required to pay a withdrawal liability.

The Cooperative's participation in multi-employer Plans is outlined in the table below. Unless otherwise noted, the information provided below is from the Plans' most recent Form 5500 filing, which covers the Plan years 2012 and 2011. At the date the financial statements were issued, Form 5500 was not available for the year ending 2013.

Plan Name	Employer Identification Number/Plan Number	Pension Protection Act Zone Status		Employer Contributions		Company Contributions Greater than 5% of Total Plan Contributions	Funding Improvement/ Rehabilitation Plan in Place	Surcharges Imposed	Expiration Date of Collective-Bargaining Agreements	Minimum Contributions Required in the Future
		2012	2011	2013	2012					
Retirement & Security Program for Employees of the National Telecommunications Cooperative Association and Its Member Systems	52-0741336/333	At least 80% funded	At least 80% funded	\$ 124,239	\$ 131,528	No	No	Yes	N/A	No

Substantially all employees of the Cooperative participate in the Plans. Employees are eligible to receive an annuity or lump-sum payment at retirement based on an average of prior years' compensation. The Cooperative makes quarterly contributions to the Plans based on each employee's compensation.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 – Retirement Plans (continued)

Postretirement benefits – The Cooperative also sponsors a defined benefit postretirement health care plan (Plan) for retired employees who retire from the Cooperative prior to age 65. The Plan does not have any assets as future benefits will be paid by the Cooperative.

Obligations and funded status – The amount of benefit to be paid depends on a number of future events incorporated into a formula, including estimates of the average life of employees/survivors, years of service rendered, and future interest rates.

The accumulated benefit obligation represents the present value of all future benefits attributed to employee service earned through the measurement date and does not include changes in future compensation. For postretirement benefit plans, the benefit obligation is the accumulated benefit obligation.

The following table summarizes the benefit obligation, fair value of Plan assets, and the funded status over the two-year period ended December 31, 2013:

	<u>2013</u>	<u>2012</u>
Accumulated benefit obligation at end of year	\$ (272,601)	\$ (251,443)
Fair value of Plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (272,601)</u>	<u>\$ (251,443)</u>

Amounts recognized in the balance sheets at December 31 consist of:

	<u>2013</u>	<u>2012</u>
Current liabilities	\$ 10,350	\$ 9,414
Noncurrent liabilities	<u>262,251</u>	<u>242,029</u>
Net amount recognized	<u>\$ 272,601</u>	<u>\$ 251,443</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 – Retirement Plans (continued)

Obligations and funded status (continued) – The following amounts are not yet reflected in the net periodic benefit cost and are included in accumulated other comprehensive income:

	<u>2013</u>	<u>2012</u>
Prior service cost	\$ -	\$ 1,170
Accumulated gain	<u>231,671</u>	<u>249,936</u>
Net amount recognized	<u>\$ 231,671</u>	<u>\$ 251,106</u>

The unrecognized gain is a result of the accumulated difference between the actuary's estimates based on actuarial principles and the Cooperative's actual experience with factors such as the length of employment and the discount rate for the Plan obligations. The increase in the unrecognized gain was the result in a change to the Cooperative health insurance plan.

The unrecognized prior service cost is a result of Plan amendments that increased employee benefits based on services provided in prior periods.

The estimated net gain that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year is \$14,606.

Other Plan information – The following table provides the net periodic benefit cost at December 31:

	<u>2013</u>	<u>2012</u>
Net periodic benefit cost	<u>\$ 12,073</u>	<u>\$ 40,651</u>

The net periodic benefit cost is the amount recognized in the financial statements as the cost of the Plan for the year. Components of the net periodic benefit cost are service cost, interest cost, actual return on Plan assets, and amortization of unrecognized gains/losses, and prior service cost.

The Cooperative does not expect to contribute to its postretirement health care plan in 2013. The Cooperative paid \$10,350 and \$3,138 in benefits in 2013 and 2012, respectively.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 – Retirement Plans (continued)

Other Plan information (continued) – Expected future benefit payments, which reflect expected future service, as appropriate, are as follows:

2014	\$ 10,350
2015	13,126
2016	24,678
2017	41,170
2018	41,690
Years 2019-2023	82,948

At December 31 the assumptions used to determine the benefit obligation are as follows:

	<u>2013</u>	<u>2012</u>
Discount rate	<u>4.50%</u>	<u>5.25%</u>

For measurement purposes for the year ended December 31, 2013, the per capita cost of health care benefits was assumed to be 10.0%, decreasing 0.5% per year to a level of 5.0%. A 1.0% increase to the premium inflation rate would increase the net periodic benefit cost to \$15,783 and the accrued benefit liability to \$293,026.

Note 9 – Operating Revenue

Wireline and miscellaneous revenues consist of the following:

	<u>2013</u>	<u>2012</u>
Wireline		
Customer	\$ 620,107	\$ 592,304
Intercarrier		
Interstate	655,019	680,084
Intrastate	592,744	677,154
Universal service support - federal	<u>1,451,444</u>	<u>1,348,713</u>
Total wireline revenues	<u>\$ 3,319,314</u>	<u>\$ 3,298,255</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 – Operating Revenue (continued)

	<u>2013</u>	<u>2012</u>
Miscellaneous		
Equipment sales, net	\$ 9,898	\$ 9,520
Rent	79,542	74,940
Other	110,869	81,845
Uncollectible	<u>(5,016)</u>	<u>(1,948)</u>
Total miscellaneous revenues	<u>\$ 195,293</u>	<u>\$ 164,357</u>

Access revenues are classified above as follows:

- Customer revenues include end user charges such as the Subscriber Line Charge (SLC) and the Federal Universal Service Charge (FUSC), and Access Recovery Charge.
- Universal Service Support includes the High Cost Loop Support (HCLS), Local Switching Support (LSS), and Interstate Common Line Support (ICLS), and CAF.
- All access charge and settlement revenue, except as described above, are classified as intercarrier revenue.

Note 10 – Fiber Lease Revenues

The Cooperative enters into noncancellable leases for fiber. The leases are accounted for as operating leases and have contract terms between 10 and 20 years. The Cooperative will receive the following lease payments under these agreements over the next five years:

2014	\$ 174,932
2015	152,432
2016	129,400
2017	113,200
2018	113,200

Note 11 – Related Party Transactions

During 2013 and 2012, the Cooperative and its subsidiary participated in various related party transactions. Vision Net is leasing fiber segments from Northern Telephone Cooperative, Inc. The Cooperative received lease and special access payments from Vision Net of \$279,845 in 2013 and \$255,288 in 2012. Norcom also utilizes the Vision Net network for transport. For the years ended December 31, 2013 and 2012, the Cooperative paid \$86,977 and \$72,828, respectively.

SUPPLEMENTARY INFORMATION

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY INFORMATION**

Board of Directors
Northern Telephone Cooperative, Inc.

We have audited the consolidated financial statements of Northern Telephone Cooperative, Inc. as of and for the year then ended December 31, 2013, and have issued our report thereon dated February 3, 2014, which contains an unmodified opinion on those financial statements and appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet detail and consolidating statement of income detail is presented for purposes of additional analysis, rather than to present financial position, results of operations, and cash flows of the individual companies, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Spokane, Washington
February 3, 2014

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NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATING BALANCE SHEET DETAIL

	December 31, 2013			
	Northern Telephone Cooperative, Inc.	Northern Communications, Inc.	Eliminating Entries	Consolidated Balances
CURRENT ASSETS				
Cash and cash equivalents	\$ 318,099	\$ 274,699	\$ -	\$ 592,798
Investment in certificates of deposit	100,000	-	-	100,000
Telecommunications accounts receivable	118,210	38,082	-	156,292
Settlements and access accounts receivable	198,236	-	-	198,236
Other accounts receivable	2,307	-	-	2,307
Income tax refund receivable	2,229	174	-	2,403
Notes receivable, current portion	-	11,869	-	11,869
Accounts receivable, affiliate	38,770	-	(38,770)	-
Material and supplies	509,562	15,191	-	524,753
Other current assets	18,908	-	-	18,908
Total current assets	1,306,321	340,015	(38,770)	1,607,566
NONCURRENT ASSETS				
Investment in affiliates	1,778,483	929,874	(1,798,556)	909,801
Investment in nonaffiliates	62,681	601,484	-	664,165
Notes receivable, long-term portion	-	86,158	-	86,158
Investment in certificates of deposit	688,000	-	-	688,000
	2,529,164	1,617,516	(1,798,556)	2,348,124
PROPERTY, PLANT, AND EQUIPMENT				
Regulated telecommunications plant in service	27,849,180	-	-	27,849,180
Regulated telecommunications plant under construction	928,193	-	-	928,193
Nonregulated telecommunications plant in service	86,281	580,900	-	667,181
	28,863,654	580,900	-	29,444,554
Less accumulated depreciation and amortization	19,441,825	580,900	-	20,022,725
	9,421,829	-	-	9,421,829
	<u>\$ 13,257,314</u>	<u>\$ 1,957,531</u>	<u>\$ (1,837,326)</u>	<u>\$ 13,377,519</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATING BALANCE SHEET DETAIL

	December 31, 2013			
	Northern Telephone Cooperative, Inc.	Northern Communications, Inc.	Eliminating Entries	Consolidated Balances
CURRENT LIABILITIES				
Accounts payable, general	\$ 45,579	\$ -	\$ -	\$ 45,579
Accounts payable, affiliate	-	38,770	(38,770)	-
Advance billing	22,315	1,445	-	23,760
Other accrued taxes	66,417	20,562	-	86,979
Other accrued liabilities	145,732	-	-	145,732
Total current liabilities	280,043	60,777	(38,770)	302,050
OTHER LIABILITIES AND DEFERRED CREDITS				
Other deferred credits	271,096	-	-	271,096
Deferred income taxes	-	158,142	-	158,142
	271,096	158,142	-	429,238
MEMBERS' EQUITY				
Memberships and other capital	8,125	-	-	8,125
Capital stock	-	2,000	(2,000)	-
Additional paid-in capital	-	200,000	(200,000)	-
Accumulated other comprehensive income	231,671	-	-	231,671
Retained margins	12,466,379	1,536,612	(1,596,556)	12,406,435
	12,706,175	1,738,612	(1,798,556)	12,646,231
	<u>\$ 13,257,314</u>	<u>\$ 1,957,531</u>	<u>\$ (1,837,326)</u>	<u>\$ 13,377,519</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATING STATEMENT OF INCOME DETAIL

	Year Ended December 31, 2013			
	Northern Telephone Cooperative, Inc.	Northern Communications, Inc.	Eliminating Entries	Consolidated Balances
Operating revenues				
Wireline	\$ 3,319,314	\$ -	\$ -	\$ 3,319,314
Internet	-	444,703	-	444,703
Fiber lease	-	205,220	-	205,220
Miscellaneous	116,225	79,068	-	195,293
	<u>3,435,539</u>	<u>728,991</u>	<u>-</u>	<u>4,164,530</u>
Operating expenses				
Plant specific operations	623,164	-	-	623,164
Plant nonspecific operations	174,082	-	-	174,082
Depreciation and amortization	1,154,961	-	-	1,154,961
Customer operations	207,813	-	-	207,813
Corporate operations	622,906	-	-	622,906
Other operating taxes	134,839	-	-	134,839
Nonregulated	-	488,397	-	488,397
	<u>2,917,765</u>	<u>488,397</u>	<u>-</u>	<u>3,406,162</u>
Operating income	<u>517,774</u>	<u>240,594</u>	<u>-</u>	<u>758,368</u>
Nonoperating income (expense)				
Interest and dividend income	49,593	268,359	(2,831)	315,121
Other nonoperating expense	(3,134)	(3,569)	-	(6,703)
Income from affiliate	407,913	99,526	(421,998)	85,441
	<u>454,372</u>	<u>364,316</u>	<u>(424,829)</u>	<u>393,859</u>
Margins before income taxes	972,146	604,910	(424,829)	1,152,227
Income tax expense	<u>(7,716)</u>	<u>(182,912)</u>	<u>-</u>	<u>(190,628)</u>
Net margins	<u>\$ 964,430</u>	<u>\$ 421,998</u>	<u>\$ (424,829)</u>	<u>\$ 961,599</u>